

**MINUTES
MILWAUKIE CITY COUNCIL STUDY SESSION
OCTOBER 25, 2011**

Mayor Ferguson called the study session to order at 5:00 p.m.

Council Present: Mayor Ferguson, Councilors Greg Chaimov, Joe Loomis, Mike Miller, and Dave Hedges

Staff Present: City Manager Bill Monahan, Assistant to the City Manager Teri Bankhead, City Recorder Pat DuVal, Library Director Joe Sandfort, Finance Directors Casey Camors and Richard Seals, Community Development Director JoAnn Herrigel, Assistant Finance Director Rina Byrne, Code Compliance Coordinator Tim Salyers, and Code Compliance Assistant Sarah Lander

Media: Molly Harbarger, *The Oregonian*

Library Task Force

Present: Library Board members Ed Zumwalt and Tom Hogan, Library Director Joe Sandfort, and Library Circulation Supervisor Nancy Wittig.

Mr. Sandfort reported on the results of the 700 surveys tabulated to date and noted that a majority of respondents indicated they preferred the Library in its current location. One of the goals of the pre-application process was to determine what expansion could take place on the site. Mr. Hogan was working with the group to get a general range of costs.

The City Council felt the Task Force and its subcommittees were right on track.

Mr. Sandfort discussed the parameters of the City's accepting the \$1 million from the County. It needed to submit a reasonable capital plan for approval by the Board of County Commissioners.

Mr. Monahan understood the money was not available until mid- 2013, and it could not be drawn out until the City's plan had been approved. He would prefer drawing the money out as soon as possible.

Code Enforcement

Mr. Salyers and **Ms. Lander** provided the City Council with a report on proposed departmental procedures and public outreach and education initiatives.

Councilor Chaimov suggested keeping the complainant informed of the status of the complaint and progress in the compliance process.

Ms. Lander reviewed the workload indicators, performance measures, and numbers of cases generated.

Mr. Salyers discussed active and reactive enforcement and categories of offenses. Although the volumes may increase, the process should move more quickly. He noted repeat offenders would lose their warning rights as they already know what was expected of them.

Ms. Lander discussed the public education element and said she hoped to reach people through the neighborhood associations.

Mr. Salyers discussed the proposal for code compliance certification and the example that would be set for others in the community. He plans to implement the program on January 1, 2012.

Mayor Ferguson thought it would be helpful to have a chart of how long each step of the enforcement effort took.

Councilor Hedges liked the idea of letting the complainant know the status of a case.

Biennial Budgeting

Present: Budget Committee members John Fox, Jeff Dondino, Gabe Storm, and Jon Stoll

Ms. Camors and **Mr. Seals** discussed the feasibility of implementing biennial budgeting in the City of Milwaukie which indicated a long-term focus and greater transparency. The benefits included a long term outlook that supported financial planning and program evaluations. One impact was the conversion work that would need to be done by the finance department.

Mr. Seals added tax revenues were relatively predictable, and if the City chose to go out for a bond or loan, the rating agencies would probably look favorably on biennial budgeting.

Mr. Monahan discussed getting into a cycle with West Linn on the biennial budget model. Reporting would keep the fiscal year's numbers in sight, and audits would still be done annually.

Councilor Chaimov found biennial budgeting helpful when working with the State although volatile revenues such as state income taxes were an exception. In the case of Milwaukie, he thought this was probably a good idea.

Mr. Storm said biennial budgeting made complete sense to him.

Mr. Seals reported property taxes were still moving upward mostly because of annexations in the NE Sewer Extension area. Supplemental budget may be done every six months. The group discussed assessed values and real market value.

Ms. Camors discussed the next steps in implementing biennial budgeting.

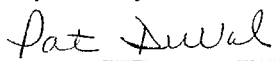
Mr. Seals noted the City could go back to annual budgeting if it found it was not working. The group discussed rolling over unspent funds. There was some concern about supplemental budgets, but the Budget Committee fully supported the recommendation and the opportunity for more oversight rather than constantly focusing on budget approval. The Committee members appreciated the work done to bring the number of funds down to a manageable level.

Staff was directed to come back to the City Council with a resolution implementing biennial budgeting and an ordinance adjusting the length of Budget Committee terms to four years as directed by state law for those agencies doing biennial budgeting.

Mayor Ferguson announced the City Council would meet in executive session pursuant to ORS 192.660(2)(i) to review and evaluate the job performance of the City Manager.

Mayor Ferguson adjourned the study session at 7:08 p.m.

Respectfully submitted,



Pat DuVal, Recorder

STUDY SESSION

REVISED
MILWAUKIE CITY COUNCIL
STUDY SESSION
OCTOBER 25, 2011

MILWAUKIE CITY HALL

Conference Room
10722 SE Main Street

STUDY SESSION – 5:00 p.m.

A light dinner will be served

Discussion Items:

	<u>Time</u>	<u>Topic</u>	<u>Presenter</u>
1.	5:00 p.m.	Library Task Force Update	Joe Sandfort & Task Force members
2.	5:30 p.m.	Code Enforcement	Tim Salyers
3.	6:30 p.m.	Biennial Budgeting	Casey Camors
4.	7:15 p.m.	Adjourn study session	
	7:15 p.m.	The City Council will meeting in executive session pursuant to ORS 192.660(2)(i) to review and evaluate the job performance of the chief executive officer and ORS 192.660(2)(e) to deliberate with persons designated by the governing body to carry on labor negotiations	

Information

Executive Session: The City Council may meet in executive session pursuant to ORS 192.660(2). All discussions are confidential and those present may disclose nothing from the Session. Representatives of the news media are allowed to attend Executive Sessions as provided by ORS 192.660(3) but must not disclose any information discussed. No Executive Session may be held for the purpose of taking any final action or making any final decision. Executive Sessions are closed to the public.

Public Notice

- The Council may vote in work session on non-legislative issues.
- The time listed for each discussion item is approximate. The actual time at which each item is considered may change due to the length of time devoted to the one previous to it.
- The Council requests that all pagers and cell phones be either set on silent mode or turned off during the meeting.
- The City of Milwaukie is committed to providing equal access to information and public meetings per the Americans with Disabilities Act (ADA). If you need special accommodations, please call 503.786.7502 or email ocr@ci.milwaukie.or.us at least 48 hours prior to the meeting.



Agenda Item: 3.
Meeting Date: 10-25-11

To: Mayor and City Council

Through: Bill Monahan, City Manager

**From: Casey Camors, Finance Director
Richard Seals, Finance Director**

Date: October 12, 2011

Subject: Biennial Budgeting

ACTION REQUESTED

Recommend that the City Council provide direction to the City's Budget Officer (the City Manager) to propose a biennial budget with the next budget representing the 2013-2014 biennium.

HISTORY OF PRIOR ACTIONS AND DISCUSSIONS

This will be the first discussion on Biennial Budgeting.

BACKGROUND

The City of Milwaukie has historically issued annual budgets that span only one fiscal year at a time. During the 2001 Oregon Legislature, biennial budgeting became an allowable part of Oregon's Local Budget Law. Biennial budgeting has benefits and drawbacks as outlined in the memorandum to the City Manager dated July 26, 2011 (as attached).

CONCURRENCE

N/A

FISCAL IMPACT

None at this time.

WORK LOAD IMPACTS

The move to biennial budgeting would decrease the work necessary to preparing the budget on an annual basis to every other year. The first year of the biennium would

require the updating of budget templates to the two-year model and updating annual financial reports to allow for the biennium budget model.

ALTERNATIVES

City Manager to continue proposing annual budgets.

ATTACHMENTS

1. Biennial Budgeting Memorandum to the City Manager dated July 26, 2011
2. Oregon Department of Revenue communication on Biennial Budgeting



ATTACHMENT 1

MILWAUKIE

Dogwood City of the West

To: Bill Monahan, City Manager

From: Casey Camors, Finance Director
Richard Seals, Finance Director
Rina Byrne, Assistant Finance Director

Subject: Informational Memo regarding Biennial Budgeting

Date: July 26, 2011

Executive Summary

The number of local governments adopting biennial budgeting has increased over the past 20 years. In so doing, many of these governments have improved their financial, budget, and strategic planning practices and processes. These governments also have improved the linkage between their various management and financial policy documents and the budget document. Additionally, these governments have benefited from a reduction in staff time allocated to budget development by placing a greater emphasis on achieving longer-term goals and objectives.

Background on Biennial Budgeting

Vice President Al Gore's *National Performance Review* endorses a national biennial budget to eliminate "busy work" that prevents "evaluating programs and meeting customer needs."

The State of Oregon budgets on a two-year basis, focusing on long-term financial planning. The 2001 Oregon Legislature revised Local Budget Law to allow local taxing districts to budget either on a one-year (fiscal year) or a two-year (biennial) budget period. Since 2002, counties, cities and other agencies have had the ability to match the State's two-year budget period if they prefer and many have moved in that direction. Cities that are currently budgeting on a two-year basis include the City of Ashland, City of Medford, City of Vancouver, City of Sandy, City of West Linn, and City of Bend, while others have indicated their intent to move to biennial budgeting such as the City of Oregon City.

Historically, the City of Milwaukie has budgeted on a fiscal year basis, focusing on just one year at a time. During the FY 2012 budget process, the City completed its first Five Year Financial Forecast, made possible by an intensive fund and account reorganization. This Five Year Financial Forecast is indicative of the City's move towards a long-term financial

focus. Additionally, the City is working to improve overall transparency and communication value that can be captured through narratives and other departmental and city-wide information in a budget document.

Benefits and Drawbacks of Biennial Budgeting

Biennial budgeting offers many benefits but is also accompanied by drawbacks. Some contend that the effort may outweigh the benefits but as a whole, converting to biennial budget offers efficiencies in the long-range financial planning process.

Benefits:

- Credit agencies look very favorably during an upgrade request on agencies that plan longer term with five-year projections and two-year budgets.
- Biennial budgeting is said to be more conducive to long-term planning, program review, and evaluation as more time is available.
- Streamlines committed resources to every two years instead of every year.
- Allows the Budget Committee to dig into issues during the years they don't have to help craft the budget while still preserving the ability to offer annual updates on budget estimates and annual reports as requested by City Council.
- Allows the City Finance Department to concentrate on other improvements in City finances during the years where the budget process does not need to be done.
- Promotes sustainability in government with less frequent use of paper and other resources including printing and advertising costs.
- Allows project flexibility in project timing within the biennium period.

Drawbacks:

- Conversion work must be performed in the first year including updating budget templates to accommodate the two-year model, updating annual financial reports to allow for the biennial budget model, changing Budget Committee member terms to 4 years, and Council committing to the biennial budget model.
- Unstable local economies and/or revenue streams may present difficulties in forecasting and reacting to changing trends.

- Some believe that the longer the budget period, the less opportunity exists to influence and provide input into the City finances.
- Tax rates approved during the budget adoption process cannot be increased during the biennium period (although a permanent rate system in Oregon, this often is a moot point).
- Creates a greater need for Budget Committee to meet periodically, hold hearings, and adjust budgets for changing circumstances.

Debt Service and New Bond Proceeds

With the longer two-year period of time involved with biennial budgeting, what happens to new debt service and bond proceeds that may be sold when they were not anticipated during the budget preparation? Just like with annual budgets, if new bonds are approved by voters and sold during the budget period (whether annual or biennial), debt service need not be budgeted during the same period. Also, if new bonds are approved and proceeds expended during the same budget period (whether annual or biennial), expenditure of the proceeds need not be budgeted either.

Sample Budget Documents

How would the budget document change with biennial budgeting and will annual numbers still be available for trend review? Like annual budgets, biennial budgets have a similar layout and sections to include:

- City Manager's (Budget Officer's) message
- Budget process, calendar, and basis of accounting
- Appropriation limitation and categories by Fund and Department
- Financial and reserve policies
- Departmental measures, accomplishments, plans, and goals
- Revenue and expenditure analysis and assumptions
- Longer-term financial forecasts

In regards to the concern of whether annual numbers will no longer be available for review, the budget document can reflect both annual and biennial amounts. Below is an example of what this would look like in the first biennium:

FISCAL YEAR FORMAT:

	Actual	Actual	Budget	Estimate	FY 2013		
	FY 2010	FY 2011	FY 2012	FY 2012	Proposed	Approved	Adopted
Requirements							
Personal Services	\$ 12,064	\$ 12,567	\$ 14,000	\$ 13,671	\$ 14,500		
Materials & Services	8,292	8,637	10,000	9,823	10,500		
Debt Service	1,911	1,991	1,575	1,519	1,600		
Operations before other items	22,267	23,195	25,575	25,013	26,600		

BIENNIUM FORMAT (1st Biennium):

	Actual	Actual	Budget	Estimate	Proposed Biennial Budget		
	FY 2010	FY 2011	FY 2012	FY 2012	FY 2013	FY 2014	Total
Requirements							
Personal Services	\$ 12,064	\$ 12,567	\$ 14,000	\$ 13,671	\$ 14,500	\$ 15,000	\$ 29,500
Materials & Services	8,292	8,637	10,000	9,823	10,500	10,700	21,200
Debt Service - Series 2000	1,911	1,991	1,575	1,519	1,600	1,700	3,300
Operations before other items	22,267	23,195	25,575	25,013	26,600	27,400	54,000

BIENNIUM FORMAT (2nd Biennium):

	Actual	Actual	BN 2014			Budget	BN 2016		
			Actual	Estimate	Total		Proposed Biennial Budget		
	FY 2011	FY 2012	FY 2013	FY 2014	Total	BN 2014	FY 2015	FY 2016	Total
Requirements									
Personal Services	\$ 12,567	\$ 13,671	\$ 14,218	\$ 14,787	\$ 29,004	\$ 29,500	\$ 15,378	\$ 15,993	\$ 31,371
Materials & Services	8,637	9,823	10,216	10,625	20,840	21,000	11,050	11,492	22,541
Debt Service	1,991	1,519	1,580	1,643	3,223	3,300	1,709	1,777	3,486
Operations before other items	23,195	25,013	26,014	27,054	53,068	53,800	28,136	29,262	57,398

Sample Quarterly Report

Quarterly reports can also be formatted to continue illustrating fiscal year amounts for annual trending purposes while still showing comparison against biennial budget totals. Below is an example of how a quarterly budget-to-actual financial report can be formatted using biennial budget totals:

SAMPLE FORMAT OF QUARTERLY REPORT:

General Fund										
		Actual (by Fiscal Year)				Actual	Budget			
		FY 2008	FY 2009	FY 2010	FY 2011	2010-2011 Biennium	2010-2011 Biennium	Variance	%	
Expenditures										
	City Council	\$ 64,176	\$ 39,985	\$ 55,448	\$ 51,428	\$ 106,876	\$ 110,000	\$ 3,124	3%	
	City Administration	816,235	761,952	916,256	981,962	1,898,218	1,900,000	1,782	0%	
	Human Resources	248,267	280,612	333,165	343,181	676,346	705,000	28,654	4%	
	Finance	907,778	847,320	944,439	848,497	1,792,936	1,850,000	57,064	3%	
	Information Technology	828,590	973,819	740,381	850,391	1,590,772	1,605,000	14,228	1%	

An Elected Official's Guide to Multi-Year Budgeting

During the FY 2012 budget process, these guides were provided to members of Milwaukie’s Budget Committee. They address in further detail the issues surrounding multi-year budgeting in a manner that is accessible to elected officials and budget committee members. They also examine key issues that arise and perceptions that may exist when considering changing to a biennial budget process.

Next Steps

The City Manager will present the next proposed budget to the Budget Committee in Spring 2012. If the Council/Budget Committee now provides the City Manager with direction to move forward with the change to Biennial Budgeting, the process will consist of:

- City Manager prepares and presents a 2013-2014 Biennial Budget to the Budget Committee in Spring 2012 for their review and deliberation.
- Documentation and explanations related to the switch to biennial budgeting will be included in the proposed budget document.

- Sometime prior to the final adoption of the Biennial Budget, Council will change Budget Committee member's terms from 3 to 4 years, ideally staggering expiration years.
- Staff will convert formats for the comprehensive annual financial report and quarterly budget reports.
- Remaining annual responsibilities will continue to include holding periodic Budget Committee meetings to review quarterly departmental and project results.
- As with annual budgets, and only when necessary, the biennial budget may need to be updated periodically through supplemental adjustments.
- Each year Council will continue to certify that the City qualifies for State Revenue Sharing Funds.
- Every other year with the process beginning with Spring 2012, the Budget Committee will review and approve the Biennial Budget with the Council adopting thereafter.
- The City Council, Budget Committee and City Staff will continue to analyze the Biennial Budget process to ensure that it is working to the City's benefit.

Conclusion

The number of local governments adopting biennial budgeting has increased over the past 20 years. In doing so, many of these governments have improved their financial, budget, and strategic planning practices and processes. These governments also have improved the linkage between their various management and financial policy documents and the budget document. Additionally, these governments have benefited from a reduction in staff time allocated to budget development by placing a greater emphasis on achieving longer-term goals and objectives.

Through the combined experience of the Finance Department staff, biennial budgeting has been successfully implemented in two cities in Oregon. Staff has found it to be very beneficial not only in time savings but in the long-term focus of the organization and its departments. We continue to look for ways to grasp efficiencies while ensuring the effectiveness of operations.

Attachments

- Biennial Budgeting Handout from the Oregon Department of Revenue

ATTENTION: Important
Information About
Biennial Budgeting



The 2001 Oregon Legislature revised Local Budget Law to allow local taxing districts to budget either on a one-year (fiscal year) or a two-year (biennial) budget period. The bill that made this change was House Bill 2022. It is available on the internet at: http://pub.das.state.or.us/LEG_BILLS/PDFs/EHB2022.pdf.

Biennial budgets may be adopted for budget periods beginning July 1, 2002. We will not be immediately revising the *Local Budgeting Manual* or *Local Budgeting in Oregon* to reflect the changes made by this bill. In brief, the changes are as follows:

- The governing body of a municipal corporation may, by ordinance, resolution or charter, provide that the budget be prepared for a budget period of **24 months**.
- Appointive members of a budget committee that prepares a biennial budget are appointed for terms of **four years**. As near as practicable, the terms of the members should be staggered so that **one-fourth of the terms** end each year. During the transition from fiscal year budgeting to biennial budgeting, sitting members of the budget committee may serve out a three-year term for which they were originally appointed.
- The budget detail sheets containing the estimates of resources and expenditures in a biennial budget must show actual expenditures for the **two budget periods** preceding the current budget period, the estimated expenditures for the **current budget period**, and the estimated expenditures for the **ensuing budget period**. For the first three years after adopting a biennial budget period, therefore, **one or more of these columns will show the data for single fiscal years, while the remaining columns will show data for two-year budget periods**.
- The summary of the budget as approved by the budget committee that is published along with the notice of the budget hearing will also show a **mix of single fiscal year and two-year biennial budget data** during the transition to a two-year budget period.
- If a taxing district adopts biennial budgeting, the budget committee must approve the amount or rate of ad valorem property taxes for **each year** of the biennium.

- After the budget committee approves a biennial budget and before the budget is adopted, the governing body may not increase the amount of estimated expenditures **for the biennium** in any fund by more than **\$10,000** or 10 percent, whichever is greater, and may not increase the amount or rate of the tax levies approved by the budget committee for **either year** of a biennial budget unless the amended budget document is republished and another budget hearing is held.
- If a district adopts a biennial budget, then after the budget hearing and before the June 30 that preceeds the start of the budget period, the governing body must pass a resolution or ordinance to adopt the budget and make appropriations for the **ensuing budget period of 24 months**. Before July 15 **every year**, the governing body must also pass a resolution or ordinance to levy and categorize property taxes **for the ensuing year**.
- Regardless of whether a budget is for a single fiscal year or for a biennium, certification of property tax levies and a copy of a resolution or ordinance levying and categorizing taxes **for the ensuing year** must be submitted to the county assessor **every year by July 15**.
- Districts that must submit their budgets to the Department of Revenue or to the Tax Supervising and Conservation Commission must do so **only during the first year of a biennial budget period**.
- In a biennial budget, interfund loans for operating purposes must be repaid by the end of the **two-year budget period** or the repayment must be budgeted as a requirement in the **ensuing biennium**.

If you have any questions, any of the Finance and Taxation Analysts listed below will be happy to discuss them with you:

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